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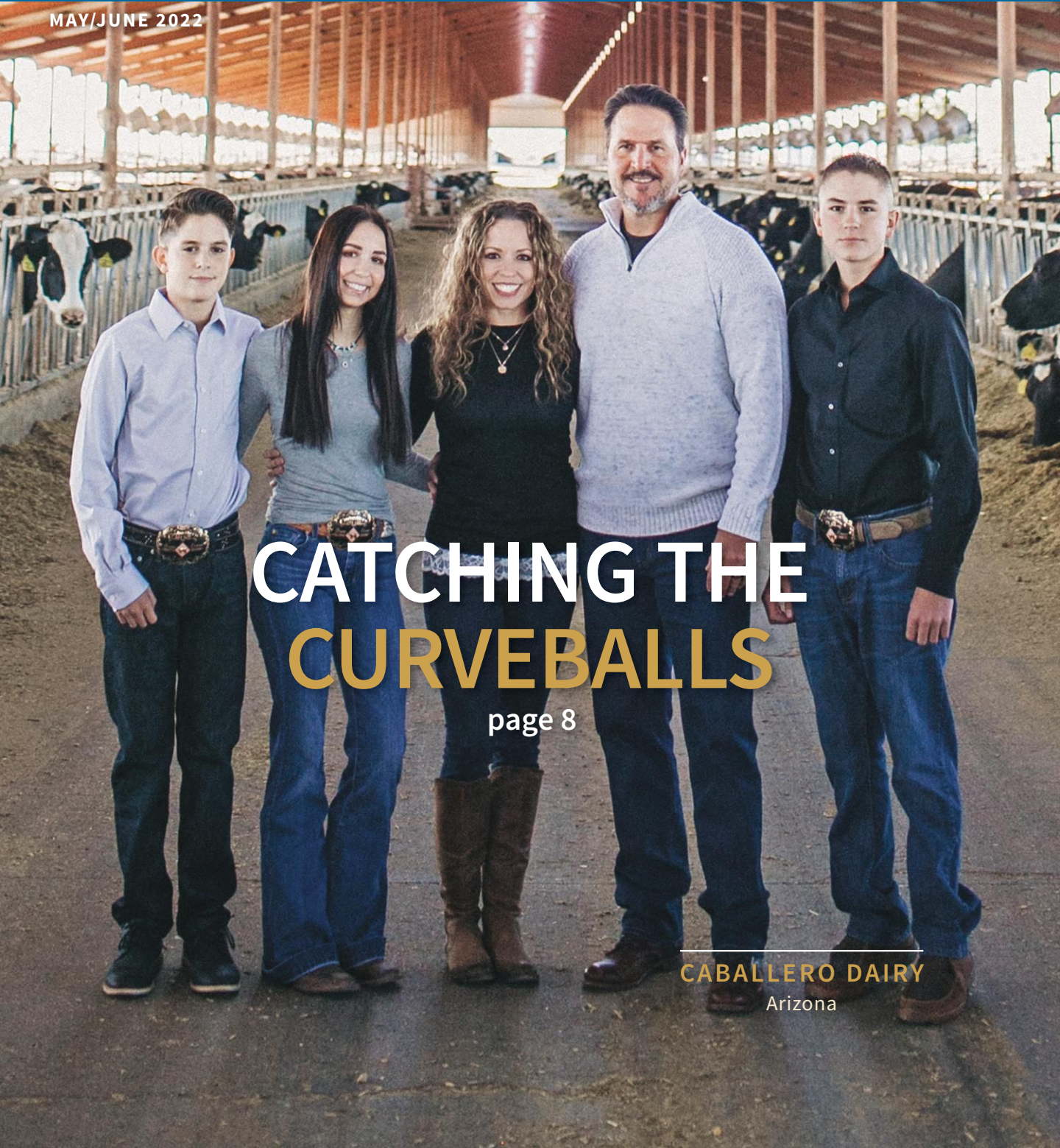
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Manage Your Dairy [page 20](#)

MAY/JUNE 2022



CATCHING THE CURVEBALLS

page 8

CABALLERO DAIRY
Arizona

"It's amazing how the data we get from the Astronaut can help us make sure we're milking the right cow at the right time, recognize our best producers and know who we need to look at from a somatic cell standpoint to see who potentially has mastitis."

- Ryan Horsens,
Horsens Homestead Farms



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FARM JOURNAL



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PHOTO: DARIGOLD

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“We all need reminders in life that hard work and perseverance pay off in the end.”

The Heart of a Thoroughbred

I’m a sports lover. I have fond memories of watching the Kentucky Derby the first Saturday in May with my father growing up. With no stakes in the game and despite growing up in Bend, Ore., many miles from Churchill Downs, Dad would look over to me and ask, “Who’s your pick, K?”

I’d always select the horse that had the best odds, and he would say, “Nah, I always like a comeback story. I’d go for the long shot.”

When the long shot would lose, Dad would say, “He’ll get ‘em next time.”

RICH STRIKE

This year’s Derby was one for the record books. The two-minute sensational horse race went viral. How many times did you re-watch the 2022 Derby to witness the comeback phenomenon, Rich Strike, win it all? I think I must have clicked on it 20 times, and every single time it gave me goosebumps and made me think of my late father.

Dad was right. The 80-1 long shot would indeed win it all. It’s almost like my dad was the announcer.

“Down the stretch they go,” my dad would have announced. “They’re stride for stride. Look at the long shot not give up. He is coming up from the inside. Rich Strike has just won the Kentucky Derby!”

We all need reminders in life that hard work and perseverance pays off in the end. And, we all need to know no matter how rich or poor we are, as long as we put the hard work in

and have the heart of a lion, or in this example, the heart of a thoroughbred, that we can come out on top. Rich Strike is our reminder.

PREDICTING THE FUTURE

On page 8, the cover story, ‘Catching the Curveballs,’ is also inspiring. Going from a Major League Baseball catcher to Arizona dairy farmer, Craig Caballero shares the similarities between the two. He says, like a catcher, dairy producers are trying to predict what’s going to come at them next.

Skyrocketing feed prices, worsening droughts, increasing inflation — it’s hard to predict those fast curveballs thrown at the dairy industry. On days when it feels overwhelming, think back to Rich Strike. Google his trainer, Eric Reed for another source of inspiration. From a barn fire that killed 23 horses to losing two assistant trainers to cancer, Reed is the definition of perseverance. He never gave up.

And, please remember this. Dairy farmers also have the formula for success. The formula being hard work, character and tenacity. Someday, you’ll all have the Rich Strike moment that will move you to tears and give you goosebumps and truly make you believe your dream was worth it all. **M**

Karen Bohnert
Dairy Editorial Director



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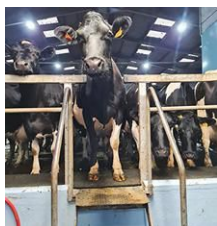




Hill House Farm Photography

@hillhousefarmphotography

“Ready when moo are.” ↓



Truth or Dairy

@truthordairyfarm

“More planting yesterday!

Although we feed our cattle everything we grow, we also buy supplemental feed. Last night while it was being delivered the sky was beautiful. See him standing on top of his truck? Not a bad office view.” ↓



Newmont Farm

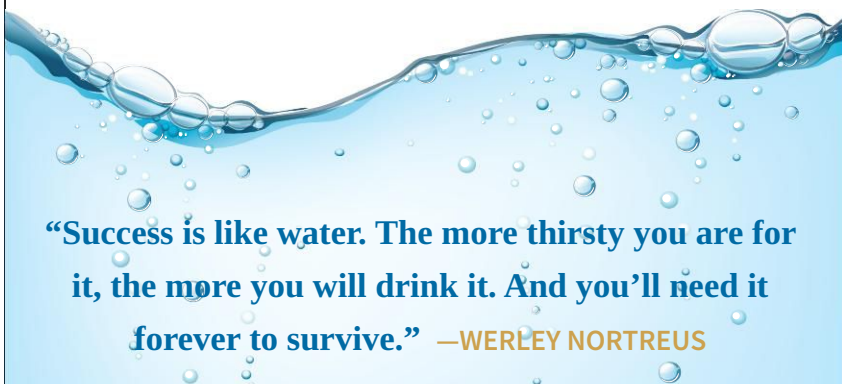
@newmontfarm

“Beautiful end to the day.” ↓



IN CASE YOU MISSED IT:

- **Associated Press:** Aemetis Signs Six-Year Agreement With Trillium to Supply Dairy Renewable Natural Gas
- **National Public Radio:** The Dairy Industry Aims to be Carbon Neutral by 2050. Here's What it Means for Farms.
- **CNN:** Why You Could be Paying 50% More for a Jug of Milk This Year



“Success is like water. The more thirsty you are for it, the more you will drink it. And you’ll need it forever to survive.” —WERLEY NORTREUS

BORDEN ILLINOIS PLANT SET TO CLOSE ITS DOORS



Earlier this month, a Borden Dairy processor informed its workers, vendors and customers that they would be closing their doors this summer at their plant in Chembung, Ill. The plant, which operates under NDSM Holdings LLC, also says they will be ceasing fluid production at their De Pere, Wis., plant.

“This change will impact the production and distribution of various brand-named milk products distributed across Illinois and Wisconsin,” the company said in a statement.

The effective closure date of the Chembung, Ill., plant is set for July 9. There De Pere plant will continue its sour cream production.

“NDSM is committed to assisting the affected employees through the transition by offering notification pay and job search assistance,” says a spokesperson from NDSM Holdings, LLC.

The company did not disclose how many employees would be impacted from this decision.

NDSM Holdings is a joint venture between New Dairy Opco LLC and Select Milk Producers Inc. Previously the plant was owned by Dean Foods who filed bankruptcy, then was later acquired by Dairy Farmers of America in April 2020.

A Push by Vilsack

Dedication to make USMCA a true victory for U.S. dairy

Despite the U.S. winning its first challenge over dairy with the U.S.-Mexico-Canada Agreement (USMCA) agreement earlier this year, USDA Secretary of Agriculture, Tom Vilsack says he is not satisfied with the market access into Canada for dairy products.

“We’re not satisfied at all,” Vilsack says. “That’s one of the reasons why we press the trade representative to bring the case under the sort of the dispute resolution process of USMCA panel decided that Canada had to structure its TRQ (tariff-rate quota) differently.”

Vilsack says the U.S. is selling dairy products into the market with only a couple of processors, and those processors don’t need what the U.S. is trying to sell under USMCA.

CONTINUE TO PRESS

“We want to expand the number of customers,” Vilsack reports.

As the former president of the U.S. Dairy Export Council, Vilsack is especially committed to getting market access for U.S. dairy products to go into Canada under USMCA.

“We’re going to continue to push,” Vilsack states.

Earlier this year, U.S. Trade Representative Katherine Tai announced that the U.S. had prevailed in its first dispute settlement panel proceeding brought under USMCA.

Vilsack is well aware the first step isn’t the last step and is committed to making USMCA a true win for dairy, even if it takes another case and another effort, he will certainly recommend that. **M**

By Karen Bohnert



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Catching the Curveballs

Lessons learned from a former MLB catcher turned dairy farmer



← Craig and Heather Caballero agree a dairy is a great place to raise their children: Anika, Joseph and Ethan.

Manuel started Caballero Dairy Farm.

“I started helping [on the farm] before I can even remember,” Caballero says. “My backyard was the dairy.”

After high school, Caballero headed to Grand Canyon University in Phoenix on a

baseball scholarship. He graduated with a business finance degree and signed a contract to play with the Detroit Tigers. After his time playing with the Tigers, and later with the Chicago Cubs, he had many thoughts on his next career choice. Ultimately, his heart brought him back to the family farm.

In 1998, when he returned to Caballero Dairy, the father-son duo

Unaware of what’s coming next, Arizona dairy farmer Craig Caballero always keeps his eyes on the ball — something he learned from his time behind home plate as an MLB catcher in the mid-90s.

“There are thousands of different scenarios that can happen over a single plate,” he says. “As a catcher, you’re trying to predict what’s going to come at you next.”

EARLY DAYS

Before putting on his baseball cleats and glove, Caballero worked on his family farm in Gilbert alongside his father, Manuel. Caballero carries deep-rooted lessons and an appreciation for agriculture. His father, who immigrated from Spain when he was 19 years old in 1952, started herding sheep to become a U.S. citizen. Six years later,

↓ Caballero Dairy Farm is home to 5,200 milking cows with a total number of 11,000 animals from newborn calves up to mature cows.



milked 900 cows. Over time, they expanded to 1,700, and in 2006, Caballero and his wife, Heather, decided to build their own 3,300 cow dairy in Eloy.

Self-described as competitive, Caballero says that mindset gives him an advantage when working in a volatile industry.

TECHNOLOGY ADOPTION

Watching the dairy industry evolve at lightning speed, Caballero say producers must be willing to accept and adapt to change. He encourages producers to lean into discussions about adopting technology on their farm, while realizing they can't modify everything.

"You must know your strengths, your weaknesses and apply them correctly," Heather says.

Today, the Caballeros milk 5,200 cows in a 72-cow rotary. Mimicking an assembly line, Caballero always knew he would build a rotary because it can be modified later.

In 2015, the Caballero's implemented a robot to pre- and postdip cows, which helped reduced their workforce by five employees.

"It was a good investment with a good return on investment," Caballero says.

Most recently the dairy added Nedap sensor collars and conducts all breedings off sort rails.

"Now, our cow management is driven by the cow collars and the information they provide versus walking pens and identifying cows," Caballero says. "We must trust the technology."

Caballero admits there is a learning curve when adding technology and recognizes older generations are more likely to resist than younger generations.

"I kind of feel at my age I'm somewhere in between," he shares. "I'm in no man's land — not young enough to have grown up with it, so I'm always having to learn."

Since the operation only recently started using the collars, Caballero is unsure of the true ROI on the investment but confidently says the system can identify things impossible to do with the human eye.

While technology has its place at Caballero Dairy, he also says a producer must surround themselves with good people.

"My father's generation didn't have the kind of technology we do today," he remarks. "They were successful because they knew how to work hard."

Caballero says managing a dairy now requires a different business model, one that includes hard work as well as numerous other variables.

"There is no cookie-cutter formula for success," Caballero says.

CAPTURING EVERY DROP OF WATER

Dairying in the Grand Canyon State is not for the faint of heart, and the Caballeros say Arizona dairy producers must do everything they can to preserve water.

"If anyone in the southwest U.S., including Arizona, said the drought didn't worry them, I think they got their head in the sand," Heather says. "It's definitely concerning."

The Caballeros are counting down the days until their dairy's manure digester is operational later this summer. One of the many reasons they leaned forward with the decision to put in a digester was to help reduce the dairy's fertilizer costs, which they expect will be a substantial savings.

"We can better capture the nutrients coming off the digester," Caballero says. "Plus save on our fertilizer bill."





In addition to adding a digester on the farm, Caballero says he is looking at different hybrids to grow drought resistant forages.

“Water is the next biggest challenge we must address in the industry,” Heather says. “We will be forced to use a lot of products that weren’t previously around.”

Reevaluating the ideal time to plant crops is up for discussion at his dairy, Caballero says.

“In Arizona you can still grow things in winter months,” he says. “We must look at every single angle. Arizona water has always been monitored heavily. The fact we’re in a drought, isn’t new for us.”

EQUAL OPPORTUNITIES

While labor is an issue across the country, Caballero says he doesn’t know any place more difficult in terms of labor than Arizona.

“The shortage of labor for us is caused by the workforce demand in construction,” he says.

Caballero says it’s not even about finding the help, even if you want to pour concrete, you have a long wait due to the high demand.

“You’re probably looking at an eight to 12-week lead time,” he says.

Milk prices between \$23 and \$25 is a nice change of pace for the Caballeros, but they say it’s not spectacular.

“The fact of the matter is inputs have gone up threefold and milk has not,” Caballero says.

In 2007, Caballero began using a risk management plan and says he could not imagine dairying without it, especially with all the volatility right now.

“With the volatility we have seen both in our price of milk and with our inputs, it would be much more difficult to manage without using some type of risk management plan,” Caballero says.

Where there are challenges, he says, there often are opportunities.

“Arizona’s growing population

proves there are a lot of people to feed in a very short distance,” he says. “So, we must figure out how to manage that.”

LOOKING AHEAD

The Caballeros continue to keep their eyes wide open for the next opportunity. Their last expansion was in 2020, and with the rising interest rates, Caballero is currently working on paying down debt.

“The current inflation rate does not generate an appetite for me to build,” he says. “With the cost to build being so crazy, it isn’t exactly where I want to put my next dollar.”

The self-motivated dairy farmer says the reason why he straps on his boots and heads to the dairy early every morning is simply because he has people who depend on him.

The Caballero’s three children — Anika, Joseph and Ethan — show interest in coming back to the farm, but Caballero doesn’t push for it. He says the reason he loves the industry so much is that he was never forced to be in it.





PHOTOS: JASON WILLIAMS; CABALLERO DAIRY FARM

“Yes, I would absolutely support any of my children who want to be part of the dairy or the dairy industry,” he says, “but that needs to be their choice. Whatever their choices are, I will support them.”

Heather was not raised on a farm and says she has a deeper appreciation for what a dairy farm provides to her family.

“Having the opportunity to raise

↑ A hybrid approach to milking happens at Caballero Dairy Farm, with 70% milked 3x and 30% milked 2x.

my children with an agricultural experience on a farm is a blessing in more ways than one,” Heather says. “I pray they see their last name not as a sense of entitlement, but as a name deserving of trust and respect; earned by hard work and loyalty by their father.”

The Caballeros are excited about the future of the dairy industry, although they continue to keep their eyes on the ball to stay ahead of the constant challenges thrown at the industry. **M**

By Karen Bohnert



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- Greg Costello,
Abel Dairy



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What Makes a Partnership

Partnerships are a great idea. You pool together talents and money to go further than each party could by themselves. Some partnerships are large endeavors, and others are smaller. But no matter their size, some flourish, and others don't. So here are the basic principles to have a flourishing partnership.

PRINCIPLE #1 – Run it Like a Business

Run multiple what-if scenarios of sales, expenses, debt levels and startup costs. Assume not everything will go smoothly, and build in a fudge factor. This will cover the unknowns that are sure to pop up. The projections will not be spot on, but they will show you where your assumptions were right or wrong. Imperfect projections are better than no projections at all.

People involved in the partnership will wear several hats. They can be board members, owners, managers and employees. Having every owner on the board of a large partnership is not feasible nor desirable.

The board's purpose is to guide the manager at the strategic level. Managing the daily activities is the realm of the manager and employees. Even with a small partnership of a couple of owners, board meetings should be separated from deciding daily activities.

The partners should expect to be treated like any other customer. For example, a dairy delivering milk to a cheese plant should not expect any special favors, pricing of their milk, delivery, etc. They should be treated the same as the dairy down the road without an ownership stake. I have witnessed partners treating the partnership bank account as an extension of their personal bank account. This is a slippery slope with no end in sight.

PRINCIPLE #2 – The Right People

Partners bring different talents and expertise to the project, and the partnership is better for it. Yet sometimes, there is a skill set needed in a partnership the owners can't provide, so don't hesitate to hire the expertise. Yes, it costs money, but learning on the fly costs money as well.

Partnerships often borrow money. Understand your loan commitments and your portion of the capital call, should the business need additional funds. Some partnerships are structured to protect each owner's personal assets, and others have unlimited legal and financial liability. The conclusion: Partner with people who can financially fund and maintain a business. You don't want to be left holding the bag because they ran out of money.

Successful?

PRINCIPLE #3 – Clear Expectations

Operating agreements and codes of conduct bridge the gap between ownership responsibilities and operations responsibilities. How much of the profits will be reinvested? How much debt will the partnership take on? Is the partnership in a growth mode or maintenance mode? These are just some of the questions that should be answered before starting a partnership. People change over time, and their needs do as well, so don't forget a buy/sell agreement.

Partnerships are a terrific way to leverage talent and investment capital into enjoyable ventures that one person couldn't do alone. It truly is a way to go far. Unfortunately, it is also easy to get so excited about the idea of the venture that details are glossed over. This is especially true when partnering with family, but with family, the stakes are even higher. So take your time, and get it right the first time because the rewards of a great partnership are hard to beat. **M**



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Create a **‘Wow’** Culture

Don't let your farm be just another place to work

Your employees are the backbone of your business. Without them, none of your farm's goals would likely come true, but do you know how much your employees genuinely care about your farm's future? If you aren't sure many of them do, maybe it's time to focus on building a 'wow' culture.

During the 2022 Professional Dairy Producers of Wisconsin Business Conference, Michael Hoffman, founder and owner of Igniting Performance Inc., spoke on how using just a few key everyday practices can transform the workplace into a more personal, energetic and collaborative work environment.

"Everybody on your farm or organization has a place, and as a leader your job is to help them be a part of that," Hoffman says. "You want people who work with you to say, 'I love having these people on my team. I wouldn't want to work anywhere else!' It is all about the experience you create."

Don't let your farm be just another place to work. Instead, take time to create a positive work experience and craft a wow culture. To help create this, Hoffman recommends the following: **M**

By Taylor Leach



DO THE RANDOM AND UNEXPECTED

"Find ways to do things for people that are unexpected" Hoffman says. Think of it like the mint on your pillow at a hotel. It's a positive thing that not everybody expects. It doesn't have to be huge. It could be as simple as having a joke board in the office, but it's random and unexpected, and people enjoy that."

Examples of this include:

- Feeding calves together.
- Bringing in doughnuts for the morning shift.
- Handing out ice pops on hot summer days.



LOOK AT THE PROCESS PUT IN PLACE

Serving your people takes a lot of work, but you can't forget about the business side of things while taking care of your employees. Therefore, it's important to put a process in place to better help you serve.

Examples of this include:

- Putting time on your calendar to talk with employees.
- Following up with employees after a conversation.
- Scheduling regular meetings and employee training.



CREATE JOY

People enjoy coming to work when they work in a fun environment. Find little ways to create a positive experience for your employees.

"It's important to make time for joy and fun; your team will love it," Hoffman says. "I can't emphasize this enough — joy is power. People want to have a good time, and they can't do that if they dread going to work."

Examples of this include:

- Having a soccer competition with a neighboring farm.
- Taking time to celebrate employee birthdays.

Herds Exiting Slows

A decline in the drop of U.S. dairy herds

More than 5% of U.S. dairy herds closed their doors in 2021, but that was the slowest rate of decline in four years.

In 2003, there were 70,375 herds in the country. In 2021, that number dropped below 30,000 to 29,858. The past year saw an exit of 1,794 herds nationwide, or 5.7% of the country's total.

But the herd-number declines in the three previous calendar years were worse. The number of dairies that exited were: 2,731 (6.8%) in 2018; 3,281 (8.8%) in 2019; and 2,535 (7.4%) in 2020.

HERD SIZE INCREASES

The average dairy herd size reached a record high of 316 head in 2021. It's a number that has grown steadily from the starting point of 129 cows in 2003. New Mexico has the largest average per-head herd size at 2,752, followed by Arizona, Colorado and Texas. The state with the smallest average herd size is Pennsylvania at 93 cows per herd.

States losing the most dairy herds in 2021 were Missouri (-9.7%), Iowa (-8.8%) and Ohio (-7.2%). In terms of actual number

OF U.S. DAIRY HERDS

2003: 70,375

2021: 29,858

AVERAGE DAIRY HERD SIZE

2003: 129 head

2021: 316 head

of herds lost, Wisconsin topped the list with 340, followed by Pennsylvania and New York. Those three states made up more than half of the total number of licensed herds lost in 2021 nationwide. **M**

By Maureen Hanson

— WHERE THE GLOBAL DAIRY INDUSTRY MEETS —

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NETWORKING



SUNDAY - FRIDAY

Happy Hours
Evening Receptions
Exhibitor Appreciation Parties
Dairy Cattle Sales

DAIRY CATTLE SHOW



MONDAY - FRIDAY

2,300 Cattle
1,600 Exhibitors
Seven Major Dairy Breeds
Parade of Champions

TRADE SHOW



TUESDAY - FRIDAY

700 Companies
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EDUCATION



TUESDAY - FRIDAY

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Farmer on the Break: Oregon's Water Shortage Nightmare

Continued reduction in water allocations forces one dairy farmer to sell cows

Water is a crucial ingredient when it comes to agriculture. This especially holds true in locations such as the high desert of Central Oregon. Their scarce water issues have generated problems for river habitat along the Upper Deschutes River. All of this has diverted irrigation water that normally would be allocated for agriculture, to stay put in the river.

This ongoing issue has become a headache for many farmers, including dairy farmer Jos Poland of Madras. Less water doesn't only mean fewer acres for his cows to graze on. It has forced Poland to make the hard decision to sell 40% of his herd earlier this year, reducing it from 240 head to 140 milking to cut costs.

The water issue was heightened when Oregon's spotted frog population was put on the federal Endangered Species List in 2014.

When the river loses water, the wetland frog habitat along the Upper Deschutes dries up. When the river has too much water, frog eggs flush downstream and die.

"It's not a great picture for the frog right now," Bridget Moran, who manages the U.S. Fish and Wildlife Service Bend office, says. "The listing of the frog brought to the surface a need for the broader restoration of the river."

EARLY BEGINNINGS

Poland's journey began in Holland, where he was born and raised on his family's dairy farm, owned by his father and uncles. At 20 years old, Poland went to Canada as an exchange student and while there became a partner on a dairy farm in Alberta. In 1993, Poland moved to the U.S. to operate a conventional dairy farm in the Willamette Valley before he built his dairy in 2005 with his wife, Deanna, who was raised on a central Oregon dairy farm.

Deanna understands the heaviness of the challenges she and her husband face as dairy farmers. However, the family lifestyle that owning a dairy farm provides pushes them to not give up. The Poland's have three children: Johan, 16, and twins, Maikel and Maija, 15.

"It's great for the family to come together and be a team, working together," Deanna says.

WATER NIGHTMARE

Being in a drought for a couple of years, Poland says their water allocations have drastically declined.

"We normally get about 2' per acre of water," he says. "Last year we got 1'. This year we get allocated half of what we got last year."



PHOTOS: DARGOLD

↑ Jos Poland of Madras, Ore., made the tough decision to reduce his herd by a 100 head earlier this year.

This reduction means Poland can only irrigate about a quarter of his land that he has water rights for. He says half of his pastures are now dead.

"They're done," he says. "I'll have to start all over if we ever get water back."

MOVING AHEAD

Poland's plan is to reevaluate his situation later this fall before making any further life decisions.

"We're going to watch what feed costs do," he says.

With only two dairies left in central Oregon, the idea of a life without cows tears at the Poland family's heart.

"We built everything brand new here, starting from scratch," he says. "It's very hard to think about life without dairy cows, but at some point, you have to say enough is enough."

Growing up on family dairy farms, hard work has always been in the Poland's veins. Working harder than ever before and with mountains of roadblocks, the duo say it's almost too hard to keep going on.

"It never bothered me before," he says, "but I'm 56 now, and I cannot predict what the future holds." **M**

By Karen Bohnert



Scan the QR code to read more about how the endangered Spotted Frog is impacting central Oregon's water supply.

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- Tony Herman - Owner, Herman Dairy

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Aidan Connolly is the president of AgriTech Capital LLC in North Carolina, is an adviser and investor in ag tech, and a frequent contributor to Forbes.



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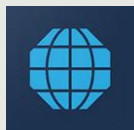
5 Smartphone Apps to Manage Your Dairy

Managing a dairy farm isn't easy, but surely technology can come to the rescue. In the same way as the rest of our lives, dairy managers are becoming addicted to their smartphones. Weather, news, dairy data, profits. These are all important, but which ones are the top farms using? What are the must-have apps? I posed that question to nearly 100 of the top U.S. dairies to get a snapshot of what they have downloaded onto their smartphones or other mobile devices. Not surprisingly, the first apps they mentioned are like those we would find on the general public's devices, so I have specifically chosen the ones that relate to managing the dairy. These are the five apps most mentioned by those producers:



DAIRY FARM DATA – Winner: 'VAS'

Valley Ag Software (Dairycomp) is the most widely used app in the U.S., covers 60% of the herds and reports on over 4 million cows in the U.S. There are lots of new entrants in this market (see article 'Is Dairy Data the New Oil') but half of the producers who replied to me said they had it downloaded on their smart devices.



MARKET NEWS – Winner: 'CME'

CME (Chicago Mercantile Exchange) is the world's largest and most diversified agriculture derivatives marketplace and as such allows dairy products to access the pricing of dairy futures and options, in real time. Decisions about what prices for inputs or dairy to lock-in in a world of COVID-19, the Ukraine War, China's commodity purchases and weather changes that could be the difference between making or losing money in milk production most years.



TRANSLATOR – Winner: Google Translator

As increasing numbers of workers on the farm are native Spanish speakers, or other languages, it is not surprising the popularity of these translation apps. Increasingly the working language on the farm might be Spanish, but in case the managers or owners don't speak the language, an app is a great way to solve the problem. Look for some entrepreneur to start an app with dairy specific translations, a great business opportunity.

Another app that was mentioned is WhatsApp. It serves as message and group discussion with other producers, and it cuts down on keeping up through the mass of emails and traditional mail.

Producers also mentioned Team-Viewer or Splashtop Streamer that gives the ability to view computer screens from afar. Milk tank monitoring was mentioned through Milk Secure and manure pit checks through Parallels. Farms using specific technology on the farm, such as sensors, robots and

cameras, had apps associated with the provider; Cainthus was most often mentioned for this.

The most surprising app to me was one farm mentioned using MobilePatrol, another free app that promotes its ability to keep you safe through connecting communities with law enforcement, making background checks easier,

but doubles as a way to track your employees records even after hiring so you know if someone in your team has an issue with law officers as soon as it happens!

So apps have taken over the world, why not your dairy? Choose the one that works best for you, and if you think I've missed one, please let me know. **M**

FARM PROFITABILITY

Winner: 'Zisk App'

Zisk is the simplest app to tell you in less than a minute how your farm is doing today, and how it will do over the next 12 months. According to Zisk they have almost 3 million cows on their free app for iPhones or Android devices.



WEATHER – Winners:

'Wunderground', Apple Weather

Weather features are concerns to dairies, so having an app on your phone to tell you what's coming is attractive. The one click feature of a weather app is attractive to producers.



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Energy Costs Prompt Changes to Milk Powder Products

U.S. average diesel prices up more than 70% year over year

Energy prices were already on the rise before Russia invaded Ukraine, but the ongoing war has further spooked energy markets.

“Energy prices are rising quickly, lifting the cost of nearly every undertaking,” says Sarina Sharp, analyst with the Daily Dairy Report. “While consumers pay more attention to gas prices, diesel may be the more important economic engine. It powers the

“Production of natural gas has failed to keep pace with rising global production,” Sharp says.

If futures prices come to fruition, they will raise the cost of energy-intensive activities, including production of synthetic fertilizers and dried milk and whey powders, she adds.

European energy costs have even been higher than U.S. prices.

“Benchmark Dutch natural gas

DISRUPTION CONCERNS

Disruptions to the flow of natural gas have led some manufacturers to wonder whether they will have consistent access to the gas needed to run milk driers, according to USDA’s Dairy Market News (DMN). Some fear that increasing prices for consumer goods could erode demand for skim milk powder, DMN reports.

“Although consumers are already paying more for dairy, higher freight and manufacturing expenses will use up a greater share of the retail price, eating into revenues for dairy processors,” Sharp says. “Dairy producers will have to spend more to run their equipment and move feed in and milk out. That makes milk production particularly pricey in states like California, where energy costs are especially high and where feed often travels great distances before it reaches a dairy’s commodity shed.” **M**

By Fran Howard

“High energy prices could push dairy manufacturers with flexible capacity to reconsider their product mix.” — Sarina Sharp

heavy equipment required for farming and manufacturing and fuels the trucks that move goods throughout the supply chain and ultimately to consumers.”

The national average price of diesel in the first week of May rose to an all-time high. That’s up 75% from a year earlier. Natural gas prices have also been heating up.

prices have fallen back to pre-war levels but have still risen more than five-fold from the beginning of the year, and they are now more than four times more than the price of their U.S. counterparts,” Sharp says. “High energy prices could push dairy manufacturers with flexible capacity to reconsider their product mix.”

Chobani Gives \$1 Million

Funds to go to research, sustainability

Chobani has made a large contribution to the University of Idaho-led Center for Agriculture, Food and the Environment (Idaho CAFE).

Officials shared the focus is twofold, both geared toward scientific research and sustainability efforts. The results from the site's research will then immediately apply to Idaho dairy farms and around the Western U.S.

"As more and more people — consumers, investors, and regulators — focus on sustainability, the dairy industry must be part of the conversation," says Hamdi Ulukaya, Chobani founder and CEO.

Idaho CAFE will include a 2,000-cow research dairy and 640-acre demonstration farm, as well as a Jerome-based education center and a food science program developed with the College of Southern Idaho in Twin Falls.

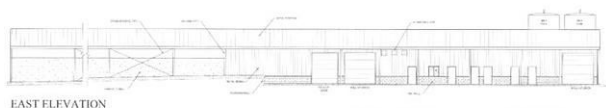
"This research center is all built around how we help give our dairy producer solutions. How do we help them accomplish these goals," says Rick Naarebout, CEO of Idaho Dairymen's Association.

The \$22.5 million project is set to begin in June, and the first stage of construction is scheduled to wrap up in 2023, with the University to begin milking cows at the Rupert location.

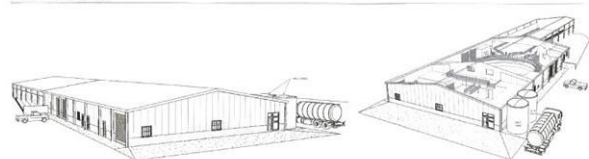
"Chobani's latest commitment to Idaho CAFE is an investment in Idaho's economy and, importantly, Idaho's current and future workforce," says Idaho Governor Brad Little. **M**

By Karen Bohnert

↓ The \$22.5 million project is scheduled to wrap up in 2023 with the first stage of construction.



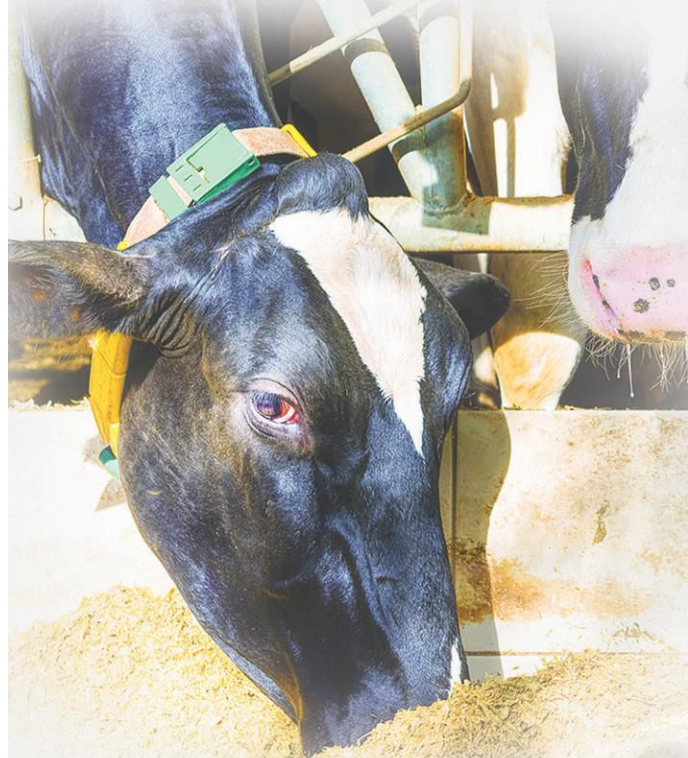
EAST ELEVATION



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The Perfect Storm for Hay Prices to Skyrocket

Income of feed remains positive as milk price has increased keeping pace with increasing corn, soybean meal and premium/supreme hay prices. Lower hay supplies could increase hay prices significantly. However, there is much more to profitability than just income over feed.

There is a strong correlation between corn prices and milk prices. In one of my previous articles, I wrote about the correlation and outlined corn and milk price to show how closely these markets are related. It stands to reason there is a strong correlation because corn is the main part of a dairy ration. As the price of corn increases, farmers

have choices to make. They can feed less corn, supplementing it with something else that might be less expensive and still provide the required nutrition for milk production. However, the replacement is generally not as good resulting in reduced, but acceptable milk production. Another choice is to cull cows to reduce the amount of corn being feed to lower producing animals thereby increasing efficiency and profitability while feeding the usual amount of corn. Another option is to sell the cows and exit the dairy business if the farm cannot continue under current market conditions. Any of these choices can reduce overall milk production and tighten supply. This is what has been taking place in the market since last fall.

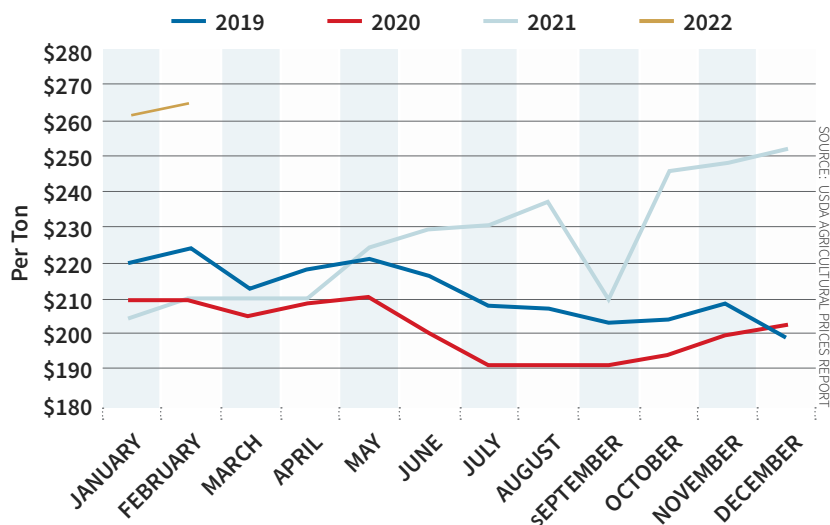
CALCULATING FOR DMC

However, when we look at income over feed, it remains positive as milk price has increased keeping pace with increasing corn, soybean meal and premium/supreme hay prices. These are the prices used in calculating income over feed for the Dairy Margin Coverage program. I realize feed prices can be significantly higher in some areas of the country because of the difference in cash prices for these commodities due to the need to rail or truck corn and soybean meal into deficit areas as well the cost of available dairy quality hay. But for the purpose of comparison, we use the average prices on the monthly Agricultural

Scan the QR code to listen to a recent AgriTalk episode where Robin Schmahl takes a deep dive, talking about both the milk markets and risk management essentials with AgriTalk host, Chip Flory.



Supreme Hay Prices



Prices report. The most recent income over feed price was \$10.98, down from \$11.54 in January. Both of these were the highest income over feed since November 2020 and indicates income over feed is historically good.

PREMIUM/SUPREME HAY

One component of income over feed is hay. Premium/supreme hay price is used in the calculation currently as it is more reflective of dairy quality hay. A blend of alfalfa hay and premium/supreme hay was used from January 2019 through December 2019. Prior to that, the alfalfa hay price was used to calculate income over feed. The February alfalfa hay price was \$214.00 per ton and not much different than it was in 2014 when we had five months of alfalfa price over \$200.00 per ton and record-high milk prices. Actually, current alfalfa hay prices are not too much higher than the past few years.

The greater price change took place in premium/supreme quality hay. This price first began to be calculated in January 2019 with the first two years not showing a great deal of price fluctuation. However, that changed in 2021 as the drought had more of an impact on areas of the country affecting hay production and increased demand for hay resulting in significantly higher prices as seen in the chart.

All hay stocks at the end of last year reached a 10-year low. The current drought monitor map indicates it might not get any better unless the weather pattern changes. This could push hay prices

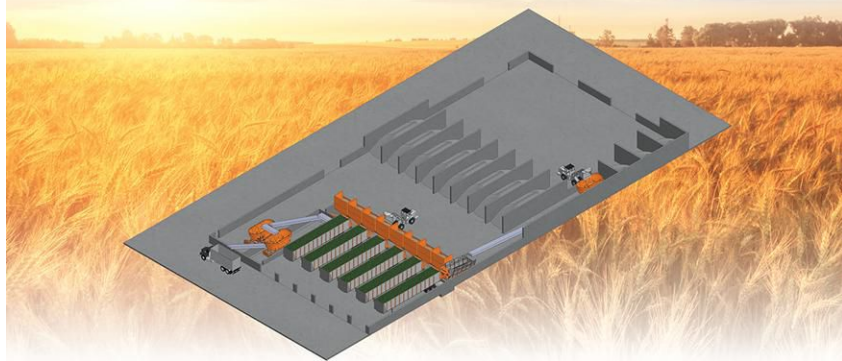
and especially dairy quality hay prices significantly higher reducing income over feed cost.

Not only is income over feed a concern this year, but so are other escalating costs. Recent income over feed prices might indicate profitability in themselves, but other costs have increased cost of production substantially. What

might look good on the Agricultural Prices report does not mean it's profitable.

If just doing nothing is your marketing plan this year or any year, it could result in many sleepless nights. Strategies need to be implemented to protect prices in any way possible. Feel free to call us if you need any help. **M**

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Does Your Farm's Financial Reporting Make the Grade?

PHOTO: ISTOCK

Eight questions to evaluate if your farm is set up for success

Think about how your farm has grown in size and scope over the past decade. Has your financial reporting followed suit?

"Farmers really struggle with anticipating the needs for better financial reporting," says Curt Covington, senior director of institution credit at AgAmerica Lending. "One of the biggest risks farmers make as they grow is information risk."

Covington defines information risk as the quality of the financial data and information farmers are collecting, analyzing and acting on. To have the best information today, he says farmers must adopt accrual accounting.

Most farmers use cash basis accounting, says Paul Neiffer, CPA and principal with CLA.

The main difference between accrual basis and cash basis accounting is the time at which

income and expenses are recognized and recorded. The cash basis method generally recognizes income when cash is received and expenses when cash is paid. The accrual method recognizes income when it is earned and expenses when they are incurred.

"It's important for farmers to

how much income you generated off of this year's crops and know what you really made for the year, not what you show to the tax person."

For today's complex farm operations, accrual accounting can remove some of the guesswork and provide better information for multiyear projections, Covington

"Farmers really struggle with anticipating the needs for better financial reporting."

—Curt Covington

understand that cash accounting — cash in, cash out — does not do a very good job of explaining what your farm really made," Neiffer says. "It doesn't help you plan forward. By using farm accrual accounting on an on-going basis (not simply making some adjustments at year-end), you can accurately determine

says. It can also make your loan renewal process easier.

"You want to get your loans approved quicker? You want to get it done with less questions? Provide us accrual based financial reporting," he says.

The switch to more comprehensive financial reporting, Covington

admits, can be a bit tedious. “Plus, farmers often say they don’t see the benefit to the cost,” he says.

Yet he encourages farmers to look at adding someone to the team who can provide strong bookkeeping and/or analytical skills.

“Once you employ managerial accounting principles to understand the enterprises in your business, you’ll see the benefits,” he says. “It is one of the most valuable tools you can implement.”

ASSESS YOUR FARM FINANCIAL REPORTING

Farmers who are successful display certain financial habits that separate them from others. These habits, consistently applied through the years, add up, and the results are evident. Neiffer, encourages farmers to ask themselves these questions:

- **Are you using a computerized accounting system?**
- **Do you record your income and expenses on some type of accrual system?**
- **Do you print out your balance sheet, income statement and statement of cash flows on a monthly basis and use it in your farm operation?**
- **Do you know more about your farm finances than your banker does?**
- **Do you book crop inventories on your balance sheet?**
- **Do you calculate your deferred tax liability and know what that means?**

➤ **Do you calculate depreciation based on some type of economic depreciation or book depreciation?**

➤ **Do you prepare both historical and fair market value balance sheets?**

If you do at least six out of eight, give yourself an A. If you do four to

five, give yourself a B-. Fewer than four is likely a failing grade on your farm financial reporting.

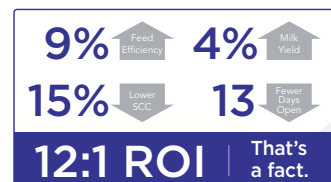
“For those farmers with a failing grade, I would suggest looking at the guidelines at the Farm Financial Standards Council website,” Neiffer says. “They can help you get a passing grade.” **M**

By Sara Schafer



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Inmates Help

Creating a win-win situation for both the prison and the dairies



Like many dairies, Desperado Dairy and Du Brook Dairy had a difficult time retaining dependable workers at their Casa Grande, Arizona Dairies. That changed in 2018, when the dairy teamed up with the Florence West Prison to help fill the vacant positions.

Desperado Dairy's owner, Casey Dugan worked for his father, Pat, at the home dairy, Du Brook Dairy, until 2010. That year Dugan started milking on his own dairy.

Between Desperado Dairy and Du Brook Dairy, and their mutual feed operation, the family has 60 employees all together.

Operating a dairy of that magnitude brings a lot of challenges, including filling labor needs.

"Overall, we had a great group of guys working for us," the Dugans say. "It's just the bottom 10% that don't stick around."

In 2018, Dugan signed up for a rural leadership program, called Project Centrl, where the group toured rural industries, such as a prison within the Grand Canyon

↑ Currently, the Dugans have 12 inmates working on the dairies, with most of them milking, one as a welder and another as a mechanic.

State. When touring the prison, the head warden spoke to the group about the Arizona Correctional Institute (ACI) work program. Dugan personally asked the warden for his contact information.

"They were super excited because a dairy farm is very structured and requires year-round work," Dugan shares.

Desperado Dairy and Du Brook both incorporated inmates into their workforce soon after.

"It was working very well for us," he says.

PULSATION PAUSE

In March of 2020, the prison came to pick up all their inmates employed at both Desperado Dairy

and Du Brook Dairy in the middle of a milking shift. Worried about COVID-19, the work program instantly got shut down, just like everything else did.

"This was a very scary time for us," Dugan says. "We instantly had to make some changes."

The dairies immediately switched from 3X to 2X milking, plus scrounged to find help.

And scrounge they did. The dairy manager's son played high school baseball, so they asked the team if anyone wanted to work.

"We probably had twice as many employees on payroll as we normally do because the students didn't work any more than three days a week," Dugan says.

Fill Labor Vacancies

BACK TO WORK

After getting double vaccinated, last spring the work program was back on — and the Dugans began employing inmates again.

“Most people question hiring inmates,” he says. “But these guys in the work program are model inmates, meaning they went to prison because they got two DUI’s or something like that, and they really just want to work.”

To qualify for the outside work program, inmates have to go through a series of programs.

Currently, the Dugans have 12 inmates working on the dairies, with most of them milking, one employed as a welder and another as a mechanic.

“The more you get to know them, you realize they are regular people, and they just want to work and get through their time,” he says. “And they’re really excited to be here working, and we’re equally excited to have the extra labor.”

The inmates arrive and depart

together, along with several guards. At the dairy, the guards rotate, making their rounds and constantly doing a headcount.

“They’re excited to work,” Dugan states. “The good thing is if the inmate doesn’t want to work, there’s somebody next in line, waiting to replace them.”

Dugan says there are a few stipulations to utilizing the ACI work program, including:

- **No weapons in your vehicles or on the dairy farm.**
- **No alcohol allowed on the farm.**
- **Only inmates can wear orange clothing.**
- **Dairy must be willing to have inspections anytime.**

“They can bring the dogs in and check your whole place to ensure there are no drugs,” Dugan remarks.

“But really, this is all the stuff you don’t want on your farm anyhow.”

REHABILITATION

The inmates using this work program leave the prison with good work experience.

“They’re good guys, and we’ve hired four of them after they got out of prison, giving them both a place to work and a full-time job, and they’re still working for us today,” he says.

Overall, working with ACI has changed Dugan’s opinion about the prison industry.

“They’re good people,” he says. “Most think they’re convicts, but they also have good in them, you just have to find it.”

The Dugans have enjoyed getting to know their inmate employees.

The inmates find therapy in the routine of a dairy farm, the calmness of the environment and that they get to be part of something bigger than themselves. Dugan says this was a ‘win-win’ situation. A

win for the prison, to find good work for these inmates that can help propel them onto a better life, and a win for the dairies, helping fill their labor needs.

ACI explains they are not taking jobs that those outside the prison walls can take, but simply helping fill open positions that come with labor challenges that face a lot of rural jobs across the U.S., like dairy. **M**



↑ **Desperado Dairy and Du Brook Dairy in Arizona began working with Florence West Prison in 2018 to help fill some of its labor vacancies.**

By Karen Bohnert



Richard Scheper, is a RaboResearch dairy analyst, based in the Netherlands.



*Richard.Scheper@
rabobank.com*

Green Deal Makes EU Dairy Growth Flash Yellow

There is a host of reasons why European dairy farmers have become hesitant or challenged to invest in expansion. Compliance with future environmental legislation and sustainability targets is adding to the perceived uncertainty for the industry's future and will likely add costs to their generally tight margins.

ANIMAL WELFARE ROADBLOCKS

The European Union's (EU) executive arm, the European Commission, has announced a number of policy initiatives that have not been implemented as regulation but could have a significant impact on agriculture in the EU. These sustainability ambitions of the European Commission were not written with trade in mind. Called the Green Deal, Farm to Fork and Fit for 55, these sustainability ambitions have little to do with the current lackluster growth in EU milk production, but they indicate a further stagnation or even decline in EU milk volume growth through 2030 is plausible.

The details about how EU member states are planning to comply with these proposed policy initiatives remain limited and will differ significantly among member countries. In Germany, the focus is animal welfare

of cows in tie-stanchion barns. In the Netherlands, the dairy industry is facing a possible drop in herd size to reduce ammonia emissions near protected environmental areas that will contribute to improved biodiversity.

OPPORTUNITY FOR U.S. DAIRY

While the size of impact on milk volume growth will differ among member states, there will be pressure across the region, limiting growth potential.

For dairy processors, the implementation of these policies will cause a transition from periods with exportable surpluses toward periods of milk deficits to run processing plants efficiently. This change will likely have a negative impact on export volumes from the EU (assuming a stable domestic consumption) and on the product mix for the domestic market. For example, there might be fewer low-margin, private label liquid milk contracts.

The U.S. could benefit from this to gain volume and/or market share. RaboResearch expects global dairy import demand to continue growing as population and incomes grow. The EU represented 35% of global dairy trade in 2021, and the U.S. represented 24%, in terms of dairy product volume. While the U.S. will continue to strive to meet its own environmental and sustainability targets, keeping an eye toward export growth potential in consideration of the evolving EU policy changes could present significant opportunity for U.S. dairy. **M**

“These sustainability ambitions have little to do with the current lackluster growth in EU milk production.”



Risk Management: Windshield Vs. Rearview Mirror

Manage risks before they catch you off guard

PHOTO: LINDSEY POUND

Complacency can be dangerous — especially when it comes to risk management on your farm.

“In agriculture, it’s very easy to just say, ‘Oh, farming is risky business,’” says David Widmar, economist at Agriculture Economic Insights. “But telling yourself farming is a risky business and not getting specific about the risks you face is a disservice to yourself and your farm.”

Whether it’s a barn fire, crop failure or ruined landlord relationship, risks can be managed.

“Risk management is not something you really like to think about or like to do too much,” says Brent Gloy, economist at Agriculture Economic Insights and Nebraska farmer. “We tend to think only about risks that are happening right now, so a lot of the risk management is done in the rearview mirror as opposed to looking forward.”

Widmar and Gloy provide this template for farm risk management.

1. BRAINSTORM AND WRITE DOWN YOUR BIGGEST RISKS.

Grab a blank piece of paper and write out some of your ideas. What are the risks your farm faces? What is keeping you up at night? Gloy suggests identifying risks in the following categories:

- **Production.**
- **Price.**
- **Financial.**
- **Legal.**
- **Relationship and human.**

2. DIVE DEEP INTO YOUR TOP THREE RISKS.

From your list, identify your top three risks for the near-term future.

“Narrowing your list down in writing is where you get the return,” Widmar says.

As you review your list, consider how your risk preferences have changed over time. In addition, he says, some time periods for a business are more risky or less risky. For 2022, what holds more risk?

Are there any areas of your business that seem to be more stable?

Once you summarize your top three risks, share them with stakeholders, such as your family members, farm partners or even landlords. Ask for input, Widmar suggests, but realize risk preferences vary by person.

3. EXPLORE RISK MANAGEMENT TOOLS AND STRATEGIES.

You are undoubtedly using risk management tools, such as insurance, marketing plans and farm insurance. Also ask yourself, when was the last time your farm reviewed those?

“Don’t just keep hitting the auto renew button, because risks shift over time,” Widmar says.

Also, he says, look at non-traditional tools, including working capital, business diversification or your financial structure. **M**

By Sara Schafer



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